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September 18, 2006

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station, 2nd Floor
Boston, Massachusetts 02110

Re: Southern Union Company, D.T.E. 06-71

Dear Ms. Cottrell:

Enclosed herewith is the response of Southern Union Company (the "Company") to Information Request DTE-2-8 of the Department of Telecommunications and Energy (the "Department") in the above-referenced proceeding. Please note the Company's response to DTE-2-9 will be filed as soon as possible later today.

Thank you for your attention to this matter. Please do not hesitate to contact me if I can provide you with any additional information concerning this matter.

Sincerely,



Cheryl M. Kimball

Enclosures

cc: Caroline M. Bulger, Hearing Officer
Paul Osborne, Rates and Revenue Requirements Division
Glenn Shippee, Rates & Revenue Requirements Division

Information Request DTE-2-8

Refer to Exh. SU-1, at 10. Please provide the following information:

- (1) An explanation of the steps the Company and an employee would need to take from beginning to end to complete this transaction, including money exchanges between the Company and its employees; and
- (2) the accounting entries needed by the Company to record this transaction.

For purposes of this response, assume that an employee of the Company is granted a block of 1,000 stock options on May 1, 2006 at a strike price of \$25 per share. Further assume that the employee has met all the financial and legal requirements and exercises his or hers stock options as of December 15, 2007 at a price of \$30.

Response

- 1) For purposes of this response, the Company has assumed the following in regard to the example provided:
 - a). that the grant of options was a cliff vesting grant (i.e. that the 1,000 shares vested at one time prior to 12/15/2007)
 - b). that the employee granted the options has executed a cashless exercise/same-day sale.

Under this scenario the grant recipient wishing to exercise and sell the options would need to contact a broker to assist with the stock option exercises. The broker would then proceed to confirm the existence of the option award with the Company's independent stock administrator, Allecon Stock Associates, LLC. Once confirmed, the broker would purchase shares from the Company's transfer agent at the option grant price (\$25) and then proceed into the market to sell the shares at the current trading price (\$30). The grant recipient would then receive the excess proceeds of \$5,000 (\$5 per share), less applicable withholding taxes and/or brokerage commissions. Under this scenario, the grant recipient need not provide money in advance to purchase the shares and there is no exchange of cash between the recipient and the Company.

2)	DR Expense	\$5,000	
	DR Cash	25,000	
	CR Common Stock, \$1 Par Value		\$ 1,000
	CR Additional Paid in Capital		29,000